

STATE OF WASHINGTON  
DEPARTMENT OF ECOLOGY

IN THE MATTER OF PENALTY	)	NOTICE OF PENALTY
ASSESSMENT AGAINST	)	INCURRED AND DUE
Shell Pipeline Company LP fka Equilon	)	NO. 02SPPRHQ-4039
Pipeline Company LLC and Equilon	)	
Enterprises	)	

To: Shell Pipeline Company LP fka Equilon Pipeline Company L.L.C. and  
Equilon Enterprises L.L.C., dba Shell Oil Products U.S.  
C/O Richard W. Elliott  
1800 Bellevue Place  
10500 NE 8<sup>th</sup> Street  
Bellevue, Washington 98004-4345

As owner or operator of the Olympic Pipeline Company, notice is given to you that the Department has assessed a penalty against you in the amount of \$7.86 million for violations of Revised Code of Washington (RCW) 90.48.080 and RCW 90.56.320, and pursuant to the authorities granted in RCW 90.48.144 (3) and RCW 90.56.330. All the findings and determinations below regarding "Olympic Pipeline Company" or "Olympic" or "the Company" are applicable to the owner and operator of Olympic Pipeline which by contract and fact includes Shell Pipeline Company fka Equilon Pipeline Company LLC and Equilon Enterprises, which refers to the company that resulted from the July 1998 merger of Equilon Pipeline Company and Texaco Pipeline, Inc. (TPLI) with Equilon as the surviving entity that assumed all debts, liabilities, and duties of TPLI, and which refers to the company that changed its corporate name to Shell Pipeline Company, LP on or about May 1, 2002. The findings below are intended to be summary in nature and not exclusive of other facts or evidence regarding the violations.

The penalty is based on the following Department findings:

1. On June 10, 1999, a rupture occurred on the 16" Olympic Pipeline near Milepost 16 in Whatcom County, Washington. At a minimum 236,000 gallons of gasoline spilled into both ground and surface waters of the state (including Hanna and Whatcom creeks). This discharge is a violation of RCW 90.56.320 and 90.48.080. Gasoline vapors collecting near the rupture site ultimately ignited and exploded. Three lives were lost and significant environmental damage resulted from the incident. The discharge was caused by negligent action in a number of respects described by the paragraphs below. The discharge could have been prevented had reasonable care and compliance with federal and industry standards been taken. Each of the negligent acts or omissions described here and in the following paragraphs caused the discharge.

2. Starting in 1993, a significant construction project for the city of Bellingham water treatment plant was undertaken. The project included extensive excavation to install various water pipelines above and below the Olympic 16" line. During the course of the project, Olympic Pipeline negligently failed to properly protect the line from potential damage. The rupture point was found at one of 27 gouge marks found in the immediate rupture area.
3. Company records, such as 1996 and 1997 internal inspection reports and line drawings, show that Olympic Pipeline was aware of four possible anomalies or defects in the 16" pipeline which included the point that later ruptured. The company negligently failed to inspect and/or repair the line. These defects were not present in the 1991 internal inspection report. The integrity of the 16" line was compromised by this failure, resulting in the loss of the first line of defense for safe operation of the pipeline.
4. During 1997 and 1998, Olympic undertook the addition of the Bayview Products Terminal to the pipeline system. The Bayview Station is located approximately 19 miles south of the Bellingham water treatment plant. The station was designed with pipe and components for which a maximum allowable pressure was significantly lower than the pipeline on either side of the station. Overpressure safety devices (relief valves) were installed within the terminal to protect the lines.
  - 4.1 Between 1998 and 1999, Olympic failed to properly install, set, test and maintain certain control, relief, and block valves related to the Bayview Station. On dozens of occasions between December 18, 1998, and June 10, 1999, the pipeline segment that ran through the Bayview Terminal was subjected to high pressure due to an incorrectly tuned control valve.
  - 4.2 Additionally, the related relief valve was incorrectly assembled and installed and failed to relieve this pressure as intended. The unrelieved pressure within the Bayview terminal caused another safety device (block valve) to close at the upstream end of the Bayview Terminal and block the full flow of the pipeline. This sudden blockage of the pipeline resulted in a high pressure wave running upstream, into the area that eventually ruptured on June 10, 1999.
  - 4.3 Despite these repeated incidents, Olympic negligently continued to restart and operate the pipeline without investigating, documenting and determining the cause and correcting and documenting these unscheduled and uncommanded block valve closures. In the design, construction and operation of the Bayview Station, Olympic failed to safely manage a significant change to the pipeline system.
5. On June 10, 1999, the day of the discharge, OPL control room personnel claim to have experienced the complete loss of the pipeline computer system. Olympic failed to investigate the cause and ensure that the pipeline was safely operating after the loss of communications and prior to restarting the pipeline system.
6. On June 10, 1999, the gasoline discharge occurred for approximately one hour before flow was controlled by closing valves on either side of the rupture point. Actions taken by persons in charge at the company on June 10 worsened the extent of this spill. The

decision to restart the pipeline after a complete communication failure, an uncommanded shutdown of the system and the receipt of a leak detection alarm was negligent, absent a thorough investigation of critical locations as required by federal regulations.

7. The management of Olympic Pipeline failed to adequately train controllers to detect and minimize spills. Company management failed to provide and train staff with written procedures for the safe operation of the pipeline, including response to abnormal operating conditions. Management failed to follow minimum safety standards and federal requirements for pipeline safety.
8. Olympic Pipeline did not exercise reasonable care and conduct to prevent oil spills to Washington waters. The discharge was caused by negligent acts and omissions and was preventable. Among the effects of the discharge was significant harm to the public health and the environment including the death of three people, injuries to other people, destruction of a home, killing approximately 100,000 fish including juvenile salmonids, lamprey, other species, other aquatic organisms, wildlife, and substantial habitat along 2 to 2 ½ miles of Whatcom Creek. The discharge also caused contamination of the water column and beds, toxicity to fish and other aquatic organisms, and adverse impacts on public water supplies.
9. On November 17-18, 1999, during the cleanup phase of the discharge, Olympic allowed the oil remediation system in Whatcom creek to fail by improperly maintaining the pumping system and allowing debris to accumulate in the pump. This resulted in an additional gasoline discharge (sheen) into Washington waters. This discharge is a violation of RCW 90.56.320 and 90.48.080.

The penalty is due and payable by you within thirty (30) days of your receipt of this Notice. Please send your penalty payment to:

Department of Ecology  
Cashiering Section  
P.O. Box 5128  
Lacey, Washington 98509-5128

You may contest this penalty by filing an Application for Relief with the Department of Ecology, or by filing an appeal with the Pollution Control Hearings Board.

If you choose to submit an Application for Relief from Penalty, you must do so in writing and within fifteen (15) days of your receipt of this Notice. Clearly identify your submission as an "Application for Relief," and please identify the Notice of Penalty number and date of issue. Under RCW 43.21B.300(1), the Department may only remit or mitigate a penalty on a showing of extraordinary circumstances such as information or factors not considered in determining the original penalty. After reviewing your Application for Relief, the Department will notify you of its decision. Send your Application for Relief to:

Dale Jensen, Program Manager  
Spill Prevention, Preparedness, and Response Program  
Department of Ecology  
P.O. Box 47600  
Olympia, Washington 98504-7600

At the same time send a copy to:

Department of Ecology  
Fiscal Office  
P.O. Box 47615  
Olympia, Washington 98504-7615.

If you wish to file an appeal with the Pollution Control Hearings Board, your notice of appeal must be in writing and filed within thirty (30) days of your receipt of this Notice or thirty days after receipt of the Notice of Disposition on your Application for Relief. Your notice of appeal must contain a copy of the order or decision appealed from, and, if the order or decision followed an Application for Relief, a copy of the Application. File your appeal with:

The Pollution Control Hearings Board  
P.O. Box 40903  
Olympia, Washington 98504-0903.

At the same time, a copy of your appeal must be served on the:

Department of Ecology  
Fiscal Office  
P.O. Box 47615  
Olympia, Washington 98504-7615

In addition please send a copy of your appeal to:

Dale Jensen, Program Manager  
Spill Prevention, Preparedness, and Response Program  
Department of Ecology  
P.O. Box 47600  
Olympia, Washington 98504-7600

These procedures are consistent with Chapter 43.21B RCW.

DATED this 5th day of June 2002 at Lacey, Washington.

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Tom Fitzsimmons, Director